

Draft Regulation
"Prefunding Plan for Health Care Coverage for Annuitants"

1. Amend heading of subchapter as follows:

SUBCHAPTER 3. ~~State~~ Public Employees' Medical and Hospital Care Act
Regulations

2. Add Heading and Article designation:

Article 1. Definitions, Coverage, Enrollment, Conversion, Minimum Standards,
Alternative Benefit Plans, Contributions, Contingency Reserve Fund, Contracting
Agency Participation and Medicare Part B

3. Amend existing §599.500 as follows:

§599.500. For purposes of this ~~part~~subchapter:
(a) Terms used in this subchapter that are defined by Section 22754 of the Public
Employees' Medical and Hospital Care Act (Title 2, Division 5, Part 5 (commencing
with Section 22750) of the Government Code) shall have the meanings therein set
forth.

. . .

4. Add heading and article designation; add §§599.550, 599.552, 599.553, and 599.554
as follows

Article 2. Prefunding Plan for Health Care Coverage for Annuitants

§599.550 For purposes of this article:

(a) "Health care coverage for annuitants" means postemployment healthcare
benefits and other postemployment benefits as defined in Statements No. 43 and
45 of the Governmental Accounting Standards Board.

(b) "Participating employer" means an employer that has elected to participate in
the prefunding plan and that files a resolution with CalPERS as provided in §22922,
which resolution sets forth the terms and conditions of the participating employer's
participation in the prefunding plan.

(c) "Prefunding plan" means the Annuitants' Health Care Coverage Fund that is a
trust fund intended to meet the requirements of Section 115 of the Internal Revenue
Code and that is established pursuant to Government Code section 22940 to
provide healthcare coverage for annuitants.

§599.552. (a) The board may, in its discretion and upon terms and conditions set by
the board, authorize an employer to participate in the prefunding plan.

(b) The governing body of a participating employer shall enter into a contract with
the board, setting forth the terms and conditions of the employer's participation in

the prefunding plan. The contract shall be in the form of a resolution adopted pursuant to Section 22922.

(c) Upon approval by the board, an employer subject to the Public Employees' Medical and Hospital Care Act may file a new resolution with the board or amend an existing resolution on file with the board, to allow the employer to become a participating employer.

§599.553. (a) The terms and conditions of the resolution for participation in the prefunding plan shall include, but not be limited to, the following:

- (1) Disbursements from the prefunding plan;
- (2) The methodology and assumptions used to calculate the actuarial accrued liability for health care coverage for annuitants;
- (3) The method of payments to and disbursements from the prefunding plan;
- (4) The frequency and content of reports from the participating employer to the prefunding plan;
- (5) The frequency and content of reports from the prefunding plan to the participating employer;
- (6) The allocation of prefunding plan investment income to the participating employer;
- (7) The allocation of administrative costs and expenses of the prefunding plan to the participating employer;
- (8) The circumstances and requirements for transfer of assets into or out of the prefunding plan, provided that any such transfers:

(A) must be in accordance with the terms of the resolution, and

(B) must satisfy the requirements of Section 115 of the Internal Revenue Code.

(9) The board may terminate the participation of a participating employer in the prefunding plan of:

(A) a participating employer elects to terminate participation in the prefunding plan;

(B) the board finds that the participating employer has failed to satisfy the terms and conditions required by this article, by board rules or regulations, or by the resolution approved by the governing body of the participating employer and filed with the board; or

(C) the board terminates the prefunding plan.

(b) If participation in the prefunding plan terminates for a reason described in subdivision (a) (9) (A) or (B), then the assets attributable to the contributions by that employer shall remain in the prefunding plan for the continued payment of postemployment health care coverage for annuitants and the costs of administration, pursuant to the terms and conditions of participation established by the board and as agreed to by the employer.

(c) If participation in the prefunding plan is terminated by the board as described in subdivision (a)(9)(C), then the assets attributable to the contributions by participating employers shall be paid in the following order:

(1) The board shall retain for disbursement to annuitants an amount sufficient to pay the health care benefits to annuitants for current and future annuitants.

(2) The board shall retain for payment an amount sufficient to pay reasonable administrative costs.

(3) After the amounts described in paragraphs (1) and (2) have been retained or disbursed, the board shall pay to each participating employer in the prefunding plan on the date of termination, a pro rata share of the remaining assets in the prefunding plan. The board shall determine that pro rata share based on the ratio that the participating employer's accumulated contributions bear to the accumulated contributions of all participating employers.

599.554. The board shall determine the amount of administrative costs and expenses of the prefunding plan to be paid to the board by each participating employer in accordance with the terms of the resolution.